LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
http://www.in.gov/legislative

FISCAL IMPACT STATEMENT

LS 6700
BILL NUMBER: SB 271

NOTE PREPARED: Dec 27, 2002
BILL AMENDED:

SUBJECT: Growth-Related Projects and Land Conservation.

FIRST AUTHOR: Sen. Mrvan
FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill prohibits various state agencies from funding growth-related projects in certain areas. The bill requires the Department of Local Government Finance to give priority to school construction projects that (1) renovate or expand existing school buildings; (2) serve existing neighborhoods; (3) do not contribute to the conversion of farm lands; and (4) do not require new water or sewer infrastructure. It provides a tax credit for job creation in certain municipal areas. This bill also establishes the Hoosier Legacy Fund to provide funds to eligible projects under the United States Department of Agriculture's farmland preservation and forest legacy programs. The bill also authorizes the Land Resources Council to identify priority funding areas and perform certain other tasks.

Effective Date: July 1, 2003; January 1, 2004.

Explanation of State Expenditures:

Smart Growth Job Creation Tax Credit: The Department of State Revenue would experience additional expenses associated with a tax credit for job creation in certain municipal areas. The Department would need to change tax forms, instructions, and computer programs to accommodate the new credit; however, the Department should be able to make adjustments for these additional administrative expenses.

Farmland Preservation and Forest Legacy: The Department of Natural Resources is to administer the Hoosier Legacy Fund. This provision should result in no additional expenses to the Department because expenses incurred for administering the fund are to be paid from money in the fund.

Explanation of State Revenues:

Containing Urban Sprawl: This bill provides that the Department of Commerce, the State Budget Agency, the Department of Transportation, and the Department of Environmental Management may not fund a growth-related project in an area that is not a priority funding area. (A priority funding area is defined by the boundaries of a municipality or zoned industrial areas served by a public or community water and sewer system contiguous to the municipality.) This provision will have an indeterminable impact on the funding provided by the agencies.

With respect to funding offered by the Department of Commerce, the Department uses the Infrastructure Development Grant Fund to finance projects related to infrastructure projects. The bill may result in a greater share of the funding going to redevelopment and upgrading of existing infrastructure. It could reduce the need to support sewer, water, or other infrastructure projects associated with sprawl and free up these funds for other community projects. The Department has many more requests for assistance than funds.

Smart Growth Job Creation Credit: A taxpayer is entitled to a tax credit against the taxpayer's state tax liability for the establishment or expansion of a business facility located in a priority funding area that results in the creation of a specified number and type of jobs. The credit is the lesser of the number of qualified positions multiplied by $1,000, or the aggregate total of wages paid by the taxpayer to the qualified employees multiplied by 2.5%. The tax credit may be taken against a taxpayer's tax liability for Adjusted Gross Income, Financial Institutions, and Insurance Premiums taxes. If the credit exceeds a taxpayer's tax liability, the credit may be carried forward or refunded. The credit may not be carried back. If a pass through entity qualifies for the tax credit, the shareholders or partners are entitled to the credit equal to the entity's distributive income. The credit is effective for tax years beginning January 1, 2004, and could affect revenue collections beginning in FY 2005 if taxpayers adjust their quarterly payments.

The impact of this provision will depend on the number and nature of businesses that elect to locate in a priority funding area and the number and types of jobs created. If a taxpayer established or expanded in a priority funding area with 60 employees, their maximum tax credit would be $60,000. Income tax revenue from the various taxes cited above is deposited in the State General Fund and the Property Tax Replacement Fund.

Farmland Preservation and Forest Legacy: The Hoosier Legacy Fund consists of appropriations made by the General Assembly, gifts and donations, federal grants, or money from other sources. This provision will allow the fund to also accept revenues from non-state sources. The Treasurer of State is to invest money in the fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Money in the fund at the end of the fiscal year does not revert to the State General Fund.

Explanation of Local Expenditures:

Priority Construction Projects: The Department of Local Government must give priority to school construction projects that (1) renovate or expand existing school buildings; (2) serve existing neighborhoods; (3) do not convert or contribute to the conversion of agricultural lands; and (4) do not require new water or sewer infrastructure. This provision could affect local expenditures by an indeterminable amount. The impact will depend on the number and nature of the construction projects.

Requiring businesses and industries to locate within a priority funding area could decrease costs to local units for providing, developing, or maintaining the necessary infrastructure to serve the new business or industry.

Explanation of Local Revenues:

State Agencies Affected: The Department of Local Government Finance, Department of Commerce, Department of Transportation, Department of Environmental Management, the Department of State Revenue, the Department of Natural Resources, and any other agency that distributes state or federal money for growth-related projects.

Local Agencies Affected: All local units.

Information Sources: Department of Commerce, (317) 232-8962.

Fiscal Analyst: Bernadette Bartlett, 317-232-9586